SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION MOPANI DISTRICT MUNICIPALITY

DRAFT ANNUAL BUDGET OF

MOPANI DISTRICT MUNICIPALITY

2014/2015 TO 2016/17

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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- In the main office and sub-offices of all municipal buildings
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Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative
BC	Budget Committee
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
FBS	Free basic services
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MMC	Member of Mayoral Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Municipality Regulator South Africa
NKPIs	National Key Performance Indicators
OP	Operational Plan
PMS	Performance Management System
PPE	Property Plant and Equipment
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Executive Summary

The Mopani District Municipality has during August 2013 approved a time schedule outlining the key deadlines in terms of the preparation of both IDP and budget for the 2014/2015 financial year. In the reminding ourselves about the objectives of the Municipal Finance Management Act, the application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the Mopani District Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The service delivery priorities were reviewed as part of this year's planning and budget process. The municipality's budget has been aligned to the national key indicators to allow maximum service delivery. The current climate has given rise to a need by municipality to maximise on water projects. In the previous year, the municipality appointed a service provider for the compilation of the Revenue Enhancement Strategy, which will include policy for credit control and debt collection. The strategy will therefore give birth to compilation of the Indigent Register for an effective implementation of the strategy.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 59, 66, 67, 70 and 72 were used to guide the compilation of the 2014/2015 MTREF.

The main challenges experienced during the compilation of the 2014/2015 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water infrastructure;
- The need to reprioritise projects and expenditure within the existing available resources given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Lepelle Northern Water and Eskom), which is placing upward pressure on service tariffs to residents.
- Affordability of capital projects considering that the municipality is predominantly rural with no infrastructure.
- Fully taking over the staff and liabilities from DWA.
- Cost effective tariff implementation on residents.

Our budget was informed amongst others by the following:

- The 2013/14 Adjustments Budget priorities and targets,
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity.

- Ensuring that service delivery and capital projects use labour intensive methods;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme; and
- Implementing interns programmes to provide young people with on the job training.

The table below gives an overview of the Mopani District Municipality 2014/2015 budget

Table 1 Consolidated Overview of the 2014/2015 MTREF

R Thousand	Budget Year 2014/2015	Budget Year 2015/2016	Budget Year 2016/2017
Total Revenue	1’423’662’412	1’584’986’896	1’564’575’180
Total Operating Expenditure	886’027’597	1’057’564’250	905’481’196
Surplus Deficit	537’634’815	527’422’646	659’093’986
Total Capital Expenditure	674’966’000	468’583’000	466’022’000
(Surplus)/Deficit after capital exp	137’331’185	(58’839’646)	(193’071’986)

Total revenue budget is mainly represented by equitable shares, MIG and RBIG allocations amounting to R561’080’000, R429’490’000 and R135’165’000 for the 2014/2015 financial year respectively.

Revenue from local municipalities on water and sanitation estimated at R205’605’412. The debt impairment is budgeted at R20’261’107. This is represented by an amount of R174’374’676 and R31’230’736 for water and sewerage services respectively as indicated in Table A2 (Budget Financial Performance).

Included in the operating expenditure of R886’027’601 is an amount of R137’368’895 for depreciation which represent a non cash item for the financial year 2014/2015.

Repairs and maintenance forms part of operating budget amounts to R102’868’051 and bulk purchases amounts to R134’080’645 for the financial year 2014/2015.
Salaries and allowances amounts to R358’995’753 including budget for locals amounting to R37’187’396 for the 2014/2015 budget.

Included also in the salaries and allowance budget is an amount of R 131’869’126, R34’903’296, R16’170’771 and R23’960’725 for Water, fire, disaster management and Health services respectively in the 2014/2015 financial year budget.

Salaries and allowances has increased to an estimated budget of R358’995’753 in the 2014/2015 financial year. This increase is due to an annual increase of 6.8%.

Included in the Capital expenditure of R674’966’000 consists of an amount of R 419’100’ 000 for water and sanitation infrastructure projects which are funded by MIG, which are the core function of the municipality and the budget. Other Water infrastructure projects are funded by

Regional Water Infrastructure Grant amounting to R135’165’000 and Municipal Water Infrastructure Grant amounting to R43’071’000. Other capital projects amount to R77’630’000 which include amongst others Smart meter systems, Installation of meters, vehicles and other administrative equipment.

1.2 Operating Revenue Framework

The municipality derives its revenue mainly from grants and subsidies.

The following table is a summary of the 2014/2015 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	**2014/15**	**2015/16**	**2016/17**
Equitable Shares	561’080’000	631’427’000	691’597’000
Regional Bulk Water -Nandoni(Drought Relief)	90’000’000	-	-
EPWP	2’195’000	-	-
Regional Bulk Water -Mametja Sekororo	44’915’000	140’167’000	-
DWA WSOG (Refurbishment)	25’000’000	30’000’000	50’000’000
Municipal Water Infrastructure Grant	43’071’000	102’532’000	107’966’000
Financial Management Grant	1’250’000	1’25’000	1’300’000
DWA WSOG (In Kind)	11’957’000	12’771’000	13’670’000
Municipal Systems Improvement Grant	934’000	967’000	1’018’000
Municipal Infrastructure Grant	429’490’000	452’363’000	473’944’000
Regional Bulk Water -Nwamitwa	250’000	-	-
Rural Transport Grant	1’995’000	2’045’000	2,117’000
Interest Earned	1’050’000	1’600’000	1’650’000
Services charges	205’605’412	204’702’696	215’841’248
Other revenue	4’870’000	5’162’200	5’471’932
Total	**1’423’662’412**	**1 584’986’896**	**1 564’575’180**

The table below illustrate the breakdown of the services charges per local municipality

Municipality	2014/15	2015/16	2016/17
Ba-Phalaborwa-Water	105'263'478	110'947'706	116'938'882
Ba-Phalaborwa-Sewerage	14'562'555	15'348'933	16'177'775
Greater Giyani- Water	13'468'110	14'195'388	14'961'939
Greater Giyani- Sewerage	2'850'843	3'004'789	3'167'047
Greater Letaba – Water	11'776'103	12'412'013	13'082'261
Greater Letaba – Sewerage	4'599'801	4'848'190	5'109'993
Greater Tzaneen – Water	40'402'664	31'833'608	33'552'623
Greater Tzaneen - Sewerage	9'217'537	8'460'676	9'002'159
Maruleng – Water & Sewerage	3'464'321	3'651'394	3'848'570
Total	**205'605'412**	**204'702'696**	**215'841'248**

1.2.1 Sale of Water and Impact of Tariff Increases

Mopani District Municipality is a Water Services Authority and has appointed the locals municipalities as Water Service Providers. In addition to the local municipalities been appointed as water service providers, the Lepelle Northern Water has also been appointed to do water provisioning in other areas of the district. Water Service Level Provision Agreements have been signed will all involved in water service provisioning.

- Water tariffs are fully not cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Tariffs policy and indigent policy have been prepared and forms part of the budget related policies presented to give effect to the effective implementation of all issues mentioned above.

The bulk supply of water is done by Lepelle Northern Water using Politsi, Modjadji, and Ba-Phalaborwa and Nkowankowa schemes.

An average across the board tariff increase of 6.0 per cent from 1 July 2014 for water is proposed. This is based on input cost assumptions of for each individual schemes. In addition 6 kℓ water per month will again be granted free of charge to all indigents households.

A summary of the proposed tariffs for households (residential) and non-residential are attached as per annexure:

1.2.2 Sanitation and Impact of Tariff Increases

A tariff increase of 6.0 per cent for sanitation from 1 July 2014 is proposed. This is based on the input cost assumptions related to water on MFMA Circular 72.

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation will be applicable to registered indigents; and

Proposed tariffs are as per annexure

1.2.3 Overall impact of tariff increases on households

The overall percentage increase on tariffs is on average 6.0. the fees for sale of tenders and fire service charges are also attached as well as teh new taproposed tariff for water in unmetered area determine in terms of the approved tariff.

1.3 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/2015 budget and MTREF is informed by the following:

- The asset renewal strategy;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2014/2015 budget and MTREF (classified per main type of operating expenditure):

Table 3 Summary of operating expenditure by standard classification item

EXPENDITURE BY TYPE	**2014/2015 R**	**2015/2016 R**	**2016/2017 R**
Employee related cost-Salaries and wages	271'387'807	288'756'627	307'237'051
Employee related cost-Social contribution	87'607'946	93'214'855	99'180'605

Depreciation	137'368'895	144'237'340	151'449'207
Debt impairment	20'261'107	21'355'207	22'508'388
Repairs and Maintenance	102'868'051	108'011'454	113'412'026
Contracted Services	11'765'551	12'353'829	12'715'520
Bulk Purchases	134'080'645	141'321'000	148'952'334
General Expenditure	120'687'599	248'313'938	70'026'064
Capital Outlay	55'820'000	35'170'000	7'078'000
Infrastructure	619'146'000	433'413'000	438'944'000
Total	**1'560'993'600**	**1'526'147'250**	**1'371'503'195**

The budgeted allocation for employee related costs for the 2014/15 financial year totals R358' 995'753, which is 41 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2014/2015 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation and the adjustment in the equitable share allocation in this regard have been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

Bulk purchases are directly informed by the purchase of water from Lepelle Northern Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.3.1 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the budget and MTREF provide for extensive growth in the area of asset maintenance as informed by the asset renewal strategy and repairs and maintenance plan from the municipality.

During the compilation of the budget, operational repairs and maintenance was identified as a strategic imperative owing to the aging of municipal infrastructure and historic deferred maintenance.

1.3.2 Free Basic Services: Basic Social Services Package

Mopani District Municipality provides as part of its basic social services package both free basic water of 6kl and free sanitation for all indigent households per month.
In 2014/15 will eradicate sanitation backlog in its area of duristiction.

1.4 Capital expenditure

The total capital budget for the 2014/2015 financial year amounts to R674'966'000 of which R419'100'000 is for municipal infrastructure grant, representing 62 percent of total capital budget. Other Water infrastructure projects are funded by Regional Water Infrastructure Grant amounting to R135'165'000 and Municipal Water Infrastructure Grant amounting to R43'071'000. Other capital projects amount to R77'630'000 which include amongst others Smart meter systems, Installation of meters, vehicles and other administrative equipment.
Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

The following are some of the capital expenditure projects to be implemented in the 2014/2015 financial year:

Sekgosese Water Development Water Scheme	: R 3 367 619
Giyani Water Works- Extension and upgrading	: R19 965 844
Hoedspruit Bulk Water supply	: R40 000 000
Kampersrus Sewage Plant	: R48 210 000
Upgrading of water reticulation in Greater Tzaneen	: R12 000 000
Upgrading of water reticulation in Greater Letaba	: R 2 226 397
Jopie Mawa Bulk Water Supply	: R38 519 094

Upgrading of water reticulation in Ba-Phalaborwa	:	R65 860 419
Upgrading of water reticulation in Maruleng	:	R20 000 000
Kampersrus Water supply	:	R9 874 609
Upgrading of Thabina Water Treatment Plant	:	R42 170 589
Tours Bulk Water scheme	:	R5 591 444
Tours Bulk Water Scheme (upgrading)	:	R34 075 046
Upgrading of Nkowankowa Sewer Plant	:	R9 052 351
Upgrading of Phalaborwa Sewer Plant	:	R8 454 913
Mopani Rural Household Sanitation	:	R38 939 129
Lephepane Bulk Water Scheme	:	R10 660 620
Selwane Water	:	R10 131 452
Mametja Sekororo Regional Water Scheme	:	R44 915 000
Nandoni to Nsami Pipeline	:	R90 000 000
Smart Metering system	:	R 7 000 000
Installations of meters	:	R8 000 000
Installation of USSD Electronic Reporting System	:	R2 000 000
MWIG projects for the refurbishment	:	R43 170 000

1.4.1 Future operational cost of new infrastructure

The infrastructure development done is mainly in the rural areas and presently there is no revenue collection done at these areas hence no operational cost of new infrastructure.

1.5 Annual Budget Tables – Mopani District Municipality

Ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/2015 budget and MTREF as adopted by the Council.

1.7.1. Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;

ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

1.7.2. Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Water and Sanitation. This situation is due to distribution losses, debt impairment and salaries and allowances of personnel operating in rural areas where there is no billing. The tariffs for local municipalities are also not cost reflective. The revenue generated is less than the expenditure.

1.7.3. Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

1.7.4. Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Total revenue excluding capital transfers is R816million in 2014/2015 and escalates to R890 million and R938 million by 2015/16 and 2016/2017 respectively. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
The main component of the total revenue is grant and subsidies amounting to R604 million, R679 million and R761 million for the financial years 2014/2015, 2015/2016 and 2016/2017 respectively. The other revenue component is Service charges for water & sanitation amount to R206 million, R 205 million, R216 million for the financial years 2014/2015, 2015/2016 and 2016/2017 respectively. The main components of other income is sale of tenders at R1.6 million, Mayor's charity cup at R3.2 million, fire services charges at R210 000 and others at R430 000.

1.7.5. Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/2015 R675 million has been allocated.

1.7.Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
Table SA3 provides a detailed analysis of the major components of budgeted financial position items, including:
- Property, plant and equipment;
- Trade and other payables;
- Changes in net assets; and

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

1.7.7. Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded.
It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
Cash and cash equivalents totals for 2014/2015 amounts to R19 million.

1.7.8. Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

As indicated in Table SA 10, the Mopani District Municipality's budget is fully funded for the 2014/2015 financial year.

1.7.9. Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. An amount of R316 million will be spend on new assets in the 2014/2015 financial year while an amount of R358 million will be spend on renewal of existing assets.

1.7.10. Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

As indicated in the Mayor's Report, the Municipality continues to make good progress with the eradication of backlogs with sanitation backlog being targeted. The new statics information shows that the households have increased with around 25 percent from the previous statistics, hence the increase in backlogs.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Head of Finance Portfolio Committee.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2013. Key dates applicable to the process were:

- **03-05 October 2013** – Strategic planning session took place at Magoebaskloof Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/2015 MTREF;
- **07 January 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2014 -** Council considers the 2013/14 Mid-year Review
- **28 February 2014 -** Adjustments Budget is approved;
- **30 March 2014 -** Tabling in Council of the draft 2014/2015 IDP
- **06– 09 May 2014** MTREF 2014/2015 for public consultation
- **29 May 2014 -** Tabling of the 2014/2015 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2014/2015 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/2015 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/2015 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/2015 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58, 59, 66, 67, 70, 72 and the cost containment measures has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

After the draft 2014/2015 MTREF tabled before Council on 30 March 2014 for community consultation was published on the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and various libraries.

The public participation process will take place from 06-09 May 2014.

This will be followed by the IDP representative forum that will take place at Mopani Disaster Centre on 23 May 2014.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with IDP

The IDP is informed by the consultation process with the community through community public participation process. Priorities are identified and reprioritized taking into consideration the need to satisfy the basic needs of the community.

This is costed annually through the Medium Term Revenue Expenditure Framework taking into account the availability of funds and the need to provide sustainable basic services.

The IDP has been guided amongst others by the following:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.
- Limpopo employment, Growth and Development plan

2.3 Measurable performance objectives and indicators

The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual directors' performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monthly Monitoring monitoring and checking on the progress against plan;
- Identifying areas requiring change and improvement;
- Quarterly reporting to council
- Making changes where necessary.

2.3.1 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.
All qualifying indigent’s households receive 6 kl per month of free basic water and free sanitation as per indigent policy of the municipality.

2.4 Overview of budget related-policies

The Municipality’s budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies and all policies are reviewed

2.4.1 Credit control and debt collection procedures/policies

The Credit control and debt collection is currently under review.

2.4.2 Asset Management Policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. The policy has been reviewed for 2014/2015 financial year.

2.4.3 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial

management practices of municipalities. The policy has been reviewed for 2014/2015 financial year.

2.4.4 Supply Chain Management Policy

The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Mopani District Municipality, whilst promoting black economic empowerment.

The Supply Chain Management Policy has been reviewed and comments were also sought from Provincial Treasury. The policy has been reviewed for 2014/2015 financial year.

2.4.5 Investment Policy

The purpose of this policy is to secure the sound and sustainable management of Mopani District Municipality's surplus cash and investments.

The Municipality's Cash Management and Investment Policy have been reviewed for 2014/2015 financial year.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy has been reviewed for 2014/2015 financial year.

2.4.7 Indigent policy

The indigent policy seeks to balance the immediate needs of the poor population to have access to affordable basic services with the long term implications of failure to implement remedial measures coupled with the provision of affordable services to indigents in a financially viable manner.The policy has been reviewed for 2014/2015 financial year.

2.4.8 Writing off of irrecoverable debts

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.The policy has been reviewed for 2014/2015 financial year.

2.4.9 Virement policy

The purpose of this policy is to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials. The policy has been reviewed for 2014/2015 financial year.

2.4.10 Inventory Policy

The purpose of this policy is to ensure that all the inventory management processes relating to purchasing, issuing and control are formalised. The policy has been reviewed for 2014/2015 financial year.

2.4.11 Support to Traditional Leaders Policy

The purpose of this policy is to provide guidance to the municipality on the support to be provided to the traditional leaders within the district jurisdiction. The policy has been reviewed for 2014/2015 financial year.

2.1.12 Fleet management Policy

The purpose of this policy is to clarify the position regarding the municipal transport. This covers the use of municipal transport within the municipality and inter alia the use of municipal vehicles permanently allocated to a specific department. The policy has been drafted for approval

2.5 Overview of budget assumptions

2.5.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/2015 MTREF:

- National Government macro economic targets;
- The general inflationary outlook of 5.4%
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

2.5.2 Collection rate for revenue services

The debt impairment as indicated in the budget seeks to indicate that more efforts need to be put in the collection process.

2.5.3 Salary increases

Salary increases as guided by Circular 72 of National Treasury is 6.8%.

2.5.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

The municipality's infrastructure projects are labour intensive.

2.5.5 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2014/2015 MTREF of which performance has been factored into the cash flow budget.

2.6 Budget funding compliance and funding measurement

2.6.1 Cost containment measures

The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and events cost as well as costs for accommodation. Municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.

2.6.2 Financial recovery plan

The council of Mopani has adopted on the 19th Dec 2013 and the plan is implemented. Progress on the implementation on the plan is monitored on a monthly basis